

RECORDATION NO. 1-5388

RECORDATION NO. 1-5388-E

NOV 27 1987 -2 35 PM

PHILADELPHIA NOV 27 1987 -2 35 PM MORGAN, LEWIS & BOCKIUS
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HARRISBURG NEW YORK, NEW YORK 10178

INTERSTATE COMMERCE COMMISSION WASHINGTON

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RECORDATION NO. 1-5388-D

NEW YORK
SAN DIEGO
LONDON

RECORDATION NO. 1-5388-A

NOV 27 1987 -2 35 PM

WILLIAM A. SNEDEKER
DIAL DIRECT (212) 309-6094

NOV 27 1987 -2 35 PM

TELEX: 64-5371

INTERSTATE COMMERCE COMMISSION

November 25, 1987

NOV 27 1987 -2 35 PM

INTERSTATE COMMERCE COMMISSION

Ms. Noreta R. McGee
Secretary
Interstate Commerce Commission
12th and Constitution Avenue, N.W.
Washington, D.C. 20423

RECORDATION NO. 1-5388-D

No. INTERSTATE COMMERCE COMMISSION

Date NOV 27 1987

Fee \$ 60.00

ICC Washington, D.C.

Dear Secretary:

NOV 27 1987 -2 35 PM

I have enclosed original and one copy of the documents described below, to be recorded pursuant to Section 11303 of Title 49 of the U.S. Code.

These documents are (i) a Lease Agreement, a primary document, dated as of November 1, 1987, (ii) a Lease Schedule, a primary document, dated November 25, 1987, (iii) a Purchase Agreement Assignment, a primary document, dated as of November 1, 1987, (iv) a Trust Agreement, a primary document, dated as of November 1, 1987, (v) a Trust Indenture, a primary document, dated as of November 1, 1987, (vi) an Indenture Supplement, a primary document, dated November 25, 1987 and (vii) a Bill of Sale, a primary document, dated November 25, 1987.

The names and addresses of the parties to the documents are as follows:

Lessor: Wilmington Trust Company, individually and as Owner Trustee
Rodney Square North
Wilmington, Delaware 19890

Lessee: Southeastern Pennsylvania
Transportation Authority
841 Chestnut Street
Philadelphia, Pennsylvania 19107

Lender: Deutsche Credit Corporation
2333 Waukegan Road
Deerfield, Illinois 60015

NOV 27 2 31 PM '87
100 OFFICE OF THE SECRETARY
NOTOR OPERATING UNIT

Counterpart -
[Signature]
m43-22

MORGAN, LEWIS & BOCKIUS

Owner Part-

Participant: Ford Motor Credit Company
The American Road
Dearborn, Michigan 48121-1729

Indenture

Trustee: The Connecticut National Bank
777 Main Street
Hartford, Connecticut 06115

A description of the equipment covered by the documents follows:

See Schedule I attached hereto.

A fee of seventy dollars (\$70) is enclosed. Please return the original and any extra copies not needed by the Commission for recordation to:

William A. Snedeker
Morgan, Lewis & Bockius
101 Park Avenue
New York, New York 10178

A short summary of the documents to appear in the index follows:

1. Lease Agreement, between:
Wilmington Trust Company, As Owner Trustee, Lessor
Rodney Square North
Wilmington, Delaware 19890

and

Southeastern Pennsylvania Transportation
Authority, as Lessee
841 Chestnut Street
Philadelphia, Pennsylvania 19107
Dated as of: November 1, 1987
and covering the lease of Commuter Railroad
Trailer Cars, Commuter Railroad Cab Cars and
Locomotives.

2. Lease Schedule, between
Wilmington Trust Company, as Owner Trustee
Rodney Square North
Wilmington, Delaware 19890

and

Southeastern Pennsylvania Transportation Authority
as Lessee
841 Chestnut Street
Philadelphia, Pennsylvania 19107
Dated: November 25, 1987 and covering the

MORGAN, LEWIS & BOCKIUS
equipment described in Schedule I attached hereto.

3. Purchase Agreement Assignment, between
Southeastern Pennsylvania Transportation
Authority, as Assignor
841 Chestnut Street
Philadelphia, Pennsylvania 19107

and

Wilmington Trust Company, as Owner Trustee,
Assignee
Rodney Square North
Wilmington, Delaware 19890
Dated as of: November 1, 1987
and covering: the transfer of all of Assignor's
right, title and interest in the equipment
purchased pursuant to a purchase contract dated
May 27, 1987 between Bombardier Inc. and Assignor
(Purchase Agreement attached thereto as an
exhibit)

4. Trust Agreement, between:

Wilmington Trust Company, in its individual
capacity and as Owner Trustee
Rodney Square North
Wilmington, Delaware 19890

and

Ford Motor Credit Company, as Owner Participant
The American Road
(P.O. Box 1729)
Dearborn, Michigan 48121-1729
Dated as of: November 1, 1987
and covering the creation of a trust between the
Owner Trustee and Owner Participant

5. Trust Indenture, between,
Wilmington Trust Company, as Owner Trustee
Rodney Square North
Wilmington, Delaware 19890

and

The Connecticut National Bank, as Indenture
Trustee
777 Main Street
Hartford, Connecticut 06115
Dated as of: November 1, 1987
and covering the grant of a security interest in

MORGAN, LEWIS & BOCKIUS

the Indenture Estate by the Owner Trustee to the Indenture Trustee.

6. Indenture Supplement, by
Wilmington Trust Company
As Owner Trustee,
Rodney Square North
Wilmington, Delaware 19890
Dated: November 25, 1987
Wherein, the Owner Trustee grants to the Indenture Trustee a security interest in the Equipment described in Schedule I hereto.
7. Bill of Sale between
Southeastern Pennsylvania Transportation Authority, as Grantor
841 Chestnut Street
Philadelphia, Pennsylvania 19107

and

Wilmington Trust Company, as Owner Trustee,
Purchaser
Rodney Square North
Wilmington, Delaware 19890
Dated: November 25, 1987
Wherein, Grantor transfers for valuable consideration, all right and title to the equipment listed in Schedule I hereto.

Very truly yours,

A handwritten signature in cursive script that reads "Bill Snedeker".

William A. Snedeker

RECORDATION NO. 1 5388-B

NOV 27 1987 - 2 35 PM

INTERSTATE COMMERCE COMMISSION

Date 11/27/87

Fee \$ 10.00

ICC Wilmington, DE

PURCHASE AGREEMENT ASSIGNMENT

Dated as of November 1, 1987

by and between

SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY,
as Assignor

and

WILMINGTON TRUST COMPANY,
not in its individual capacity
but solely as Owner Trustee,
as Assignee

All the right, title and interest of Wilmington Trust Company, as Owner Trustee, created pursuant to this Purchase Agreement Assignment are subject to the security interest created in such right, title and interest pursuant to a certain Trust Indenture dated as of November 1, 1987.

NOV 27 1987 -2 35 PM

PURCHASE AGREEMENT ASSIGNMENT

INTERSTATE COMMERCE COMMISSION

THIS PURCHASE AGREEMENT ASSIGNMENT, dated as of November 1, 1987, between SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY, a body corporate and politic organized under the laws of the Commonwealth of Pennsylvania (the "Assignor"), and WILMINGTON TRUST COMPANY, not in its individual capacity but solely as Owner Trustee (the "Assignee") under the Trust Agreement, dated as of the date hereof (the "Trust Agreement") between Wilmington Trust Company, in its individual capacity and as Owner Trustee, and Ford Motor Credit Company, as Owner Participant,

WITNESSETH:

WHEREAS, the capitalized terms used herein are used with the meanings provided in Section 1 hereof; and

WHEREAS, the Assignor and the Manufacturer are parties to the Purchase Agreement, providing, among other things, for the sale by the Manufacturer to the Assignor of certain qualified mass commuting vehicles including the Equipment, which Equipment is to be acquired and leased to the Assignor as provided in the Participation Agreement and the Lease; and

WHEREAS, the Assignee wishes to acquire the Equipment and the Assignor is willing to assign to the Assignee certain of the Assignor's rights and interests under the Purchase Agreement, on the terms and conditions hereinafter set forth and in the Consent and Agreement of the Manufacturer hereto, and the Assignee is willing to accept such assignment, all as hereinafter set forth;

NOW, THEREFORE, in consideration of the mutual covenants herein contained, and other good and valuable consideration, receipt whereof is hereby acknowledged, the parties hereto do hereby agree as follows:

1. The following terms shall, for all purposes of this Assignment, have the following meanings:

"Basic Rent" shall mean, for the Equipment, (i) an initial payment, payable on the closing date with respect thereto, and (ii) the semiannual payments to be made by the Assignor to the Assignee with respect thereto on each Basic Rent Payment Date and, for all of the Leased Property, all such payments to be made on each such date.

"Basic Rent Payment Dates" shall mean the thirtieth day of each May and November during the Term, commencing with May 30, 1988, and through the last day of the Term.

"Business Day" shall mean a day other than a Saturday, Sunday or legal holiday on which banking institutions are required or permitted by law to close in Philadelphia, Pennsylvania, or in New York, New York, or in Chicago, Illinois, or in Detroit, Michigan, or in Hartford, Connecticut, or in Wilmington, Delaware.

"Certificate of Acceptance" shall mean each certificate executed by the Assignor in the form of Exhibit 1 to the Lease stating that a Unit of Equipment has been inspected and accepted on behalf of the Assignor and the Assignee under the Lease.

"Equipment" shall mean, generally, the items of equipment described in the Purchase Agreement other than the Option Cars and the Option Locomotives (and pay Spare Parts relating thereto) and, where the context so indicates and as of any date of determination, the items of equipment actually then subject to the Lease, as evidenced by the inclusion of such items of equipment in any Certificate of Acceptance and Lease Schedule executed and delivered from time to time thereunder.

"Event of Default" shall mean one or more of the following events:

(a) the Assignor shall fail to make any payment of Rent under the Lease and any such failure shall continue for at least three (3) Business Days or the Assignor shall fail to pay any other amount due under the Lease or under any Fundamental Agreement and such failure shall continue for ten (10) Business Days; (b) the Assignor shall fail to procure and maintain any of the insurance or coverages required by Section 13 of the Lease or shall operate or suffer the operation of the Leased Property at any time or place not authorized by the insurance required by Section 13 of the Lease; (c) the Assignor shall fail in the observance and/or performance of any other covenant, condition or agreement on the part of the Assignor to be observed and/or performed under the Lease and such default shall continue unremedied for thirty (30) days after a responsible officer of the Assignor shall have actual knowledge thereof or shall have received written notice from the Assignee or the Indenture Trustee specifying the default and demanding the same to be remedied; provided, however, that if any failure referred to in this clause (c) is of such nature that it cannot be corrected within such 30-day period, such failure shall

not constitute an Event of Default so long as the Assignor institutes curative action within such period, promptly notifies the Assignee of such action and diligently pursues such action to completion, provided that such action does not in the Assignee's judgment create a material risk of forfeiture or loss of the Leased Property or any portion thereof and can be completed by the Assignor within ninety (90) days after a responsible officer of the Assignor has the actual knowledge or receipt of the original written notice from the Assignee or the Indenture Trustee referred to above or such longer period as to which the Assignee may consent; (d) any representation or warranty made by the Assignor in the Lease or in any document or certificate furnished to the Assignee in connection with the Lease or pursuant to the Lease shall at any time prove to be incorrect when made in any material respect; (e) the Assignor shall make or permit any unauthorized assignment or transfer of the Lease or of the Assignor's rights and obligations under the Lease, or the Assignor shall make or permit any unauthorized sublease, possession or transfer of the Leased Property; or (f) the Assignor shall seek or consent to or acquiesce in the appointment of a trustee or receiver, or a trustee or a receiver shall be appointed for the Assignor or for a substantial part of the Assignor's property without the Assignor's consent and such appointment shall not have been stayed or dismissed for a period of forty-five (45) days, or bankruptcy, reorganization, insolvency, arrangement or liquidation proceedings shall be instituted by or against the Assignor and, if instituted against the Assignor, shall not be discharged, stayed or dismissed for a period of forty-five (45) days, or the Assignor's corporate existence shall terminate.

"Indenture Trustee" shall mean The Connecticut National Bank, a banking association organized and existing under the laws of the United States of America, as Indenture Trustee under a Trust Indenture dated as of November 1, 1987 with the Assignee.

"Lease" shall mean the Lease Agreement between the Assignor and the Assignee contemplated by the Participation Agreement, to be substantially in the form attached thereto as Exhibit A, as the same may be amended, modified or supplemented from time to time.

"Lease Schedule" shall mean each schedule executed by the Assignee and the Assignor in the form of Exhibit 2 to the Lease by which a Unit of Equipment shall be leased under the

Lease for the Term and for the Rent specified therein.

"Leased Property" shall mean the Equipment.

"Manufacturer" shall mean Bombardier, Inc., a corporation organized and existing under the laws of Canada, and its successors and assigns under the Purchase Agreement.

"Manufacturer's Payments" shall have the meaning specified in Section 4(b) hereof.

"Owner Participant" shall mean Ford Motor Credit Company, a corporation organized and existing under the laws of the State of Delaware, and any other Person or Persons, if any, to which an Owner Participant transfers, in accordance with Article IX of the Trust Agreement, all or any part of its right, title and interest in and to the Trust Agreement, or any part of the Trust Estate and the Participation Agreement.

"Participation Agreement" shall mean the Participation Agreement dated as of November 1, 1987, by and among the Assignor, the Owner Participant, the Assignee, Deutsche Credit Corporation and The Connecticut National Bank, as Indenture Trustee.

"Person" shall mean any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization, governmental body, instrumentality or agency or other entity.

"Purchase Agreement" shall mean the Contract dated May 27, 1987, between the Manufacturer and the Assignor for the supply of 35 push-pull commuter coaches and the supply of 7 AEM-7 electric locomotives, as the same may be amended, modified or supplemented from time to time.

"Purchase Price" shall mean, for any Unit of Equipment, the sum of (a) the unpaid balance of the purchase price payable to the Manufacturer under the Purchase Agreement, and (b) an amount equal to all advance payments made to the Manufacturer by the Assignor thereunder, in respect thereof, and for all of the Equipment the aggregate of all such amounts; provided, however, that in no event shall the aggregate Purchase Price for all Equipment exceed \$63,928,150.

"Renewal Term" shall mean, with respect to any Unit of Equipment, the full period of time during which such Unit of Equipment is subject to the Lease by reason of the Assignor's exercise of its option to extend the Lease for an additional

period of years.

"Rent" shall mean and include all Basic Rent, any rent due under the Lease during any Renewal Term, and all other amounts due and to become due under the Lease.

"Spare Parts" shall mean the manufacturer-recommended spare parts referenced in clause (c) of Section 1.2.1 of the Purchase Agreement.

"Term" shall mean, with respect to any Unit of Equipment, the full period of time during which such Unit of Equipment is subject to the Lease.

"Transit Vehicle" shall mean any locomotive or passenger train car under the Purchase Agreement.

"Unit of Equipment" shall mean in all cases an individual Transit Vehicle or Spare Part under the Purchase Agreement.

"Unmatured Event of Default" shall mean any event which with notice or the passage of time or both would constitute an Event of Default.

2. Assignment; Rights Reserved. The Assignor does hereby sell, assign, transfer and set over unto the Assignee, its successors and assigns, all of the Assignor's rights and interest in, to and under the Purchase Agreement as and only to the extent that the same relate to the Equipment and the purchase thereof, except to the extent reserved below, including, without limitation (a) the right upon valid tender by the Manufacturer to purchase, pursuant to the Purchase Agreement, the Equipment not previously purchased by the Assignor thereunder (including the right to accept delivery of such Equipment, such right of acceptance to be exercised by a representative of the Assignee (who shall be an employee of the Assignor appointed pursuant to the Lease)) and the right to take title to such Equipment and to be named the "Buyer" in each bill of sale transferring such Equipment to be delivered by the Manufacturer pursuant to the Purchase Agreement, (b) subject to the limitation set forth in Section 6(b) hereof, all claims for damages in respect of the Equipment arising as a result of any default by the Manufacturer under the Purchase Agreement including, without limitation, all warranty, indemnity and guarantee provisions contained in the Purchase Agreement, and all claims arising thereunder, in respect of the Equipment, and (c) subject to the limitation set forth in Section 6(b) hereof, any and all rights of the Assignor to compel performance of the terms of the Purchase Agreement in respect of the Equipment; excluding from such sale, assignment and transfer and reserving to the Assignor, however, except as expressly

provided above, (i) for so long as the limitation set forth in Section 2(b) hereof shall remain in effect, all of the Assignor's rights and interest in, to and under the Purchase Agreement, to the extent not assigned above, relating to the Equipment, (ii) all of the Assignor's rights and interest in, to and under the Purchase Agreement to the extent the same relates to any equipment other than the Equipment (including the purchase and operation of such equipment) or to matters not in respect of the Equipment, (iii) all rights to assemblies, special tools and items of equipment identified under the Purchase Agreement, and (iv) with respect to the Equipment so long, and only so long, as the Equipment shall be subject to the Lease and no Event of Default or Unmatured Event of Default under the Lease shall have occurred and be continuing, (A) the right to demand, accept and retain all rights in and to all property (other than the Equipment), data and service related to the Equipment which the Manufacturer is obligated to provide or does provide pursuant to the Purchase Agreement, and (B) the right to obtain instructions, services, training, data and demonstration and test drives related to the Equipment and provided pursuant to the Purchase Agreement, and (v) the right to maintain plant representatives at the Manufacturer's plant pursuant to the Purchase Agreement.

3. Acceptance of Assignment. (a) The Assignee hereby accepts the assignment contained in paragraph 2 hereof, subject to the terms hereof, it being understood that the Assignee's obligation to purchase the Equipment is subject to the satisfaction of all conditions precedent contained in the Participation Agreement. The Assignor has furnished a true copy of the Purchase Agreement to each Owner Participant and to the Assignee.

(b) The Assignee acknowledges that its right to claims for damages and its right to compel performance under clauses (b) and (c) of Section 2 hereof is limited to such claims for damages or such compulsion of performance as are usual, customary and reasonable within the commuter rail transport industry; provided, however, that upon any sale or reletting of the Equipment to an entity that is regularly engaged in the commuter rail industry, such limitation shall lapse as to warranty claims, whereupon the rights retained by the Assignee under clause (c)(ii) of Section 2 hereof shall, as to warranty claims only, pass to such entity.

4. Rights of Assignor in Absence of Event of Default.

(a) Notwithstanding the foregoing, but subject to paragraph 4(b) hereof, if and so long as no Event of Default or Unmatured Event of Default under the Lease shall have occurred and be continuing, the Assignee hereby authorizes the Assignor, on behalf of and to the exclusion of the Assignee to exercise in

the Assignor's name all the rights and powers of the Assignor as Buyer under the Purchase Agreement with respect to the Equipment including such rights as the Assignee may have with respect to the Equipment under any warranty, indemnity or guarantee or other provision of the Purchase Agreement and, subject to paragraph 4(b) hereof, the right to retain any recovery or benefit resulting from the enforcement of any warranty, guaranty or indemnity under the Purchase Agreement in respect of the Equipment; provided, however, that (x) the Assignor may not exercise any of the rights assigned hereunder referred to in paragraph 2(a) hereof unless prior to the exercise thereof the Assignee and each Owner Participant shall have delivered to the Manufacturer written notice that the Assignee and each Owner Participant has released such rights with respect to the Equipment, (y) the Assignor may not enter into any change order or other amendment, modification or supplement to the Purchase Agreement without the written consent of the Assignee and each Owner Participant if such change order, amendment, modification or supplement would (i) postpone beyond December 31, 1987, with respect to the Equipment to be delivered to the Assignee pursuant to the Purchase Agreement, (ii) increase the Purchase Price of the Equipment, or (iii) except as expressly permitted by the Purchase Agreement, result in any rescission, cancellation or termination of the Purchase Agreement with respect to the Equipment, and (z) the Assignor will cause all of the Equipment to be delivered prior to December 31, 1987.

(b) Notwithstanding this Assignment and anything herein to the contrary, all amounts that the Manufacturer is obligated to pay to the Assignor with respect to the Equipment, whether in respect of refunds under the Purchase Agreement in respect of the Equipment or resulting from the enforcement of any warranty, performance guarantee or indemnity thereunder or the enforcement or exercise of any right or power under the Purchase Agreement in respect of the Equipment or hereunder ("Manufacturer's Payments") (excluding, however, from Manufacturer's Payments any amounts the Manufacturer is obligated to pay to the Assignor with respect to the rights reserved to the Assignor in clauses (i) through (iv) of paragraph 2 hereof), shall be paid directly to the Assignee.

(c) In accordance with the terms of the Manufacturer's Consent and Agreement attached hereto, the Manufacturer shall not be deemed to have knowledge of an Event of Default or Unmatured Event of Default under the Lease unless and until the Manufacturer shall have received written notice thereof from the Assignee. If the Assignee has notified the Manufacturer of an Event of Default or Unmatured Event of Default by written notice thereof, the Assignee will also be deemed to have agreed, upon receiving written notice from the Assignor, to give prompt written notice to the Manufacturer when any such Event of Default

or Unmatured Event of Default has been cured or waived.

5. Certain Rights and Obligations of the Parties.

(a) It is expressly agreed that, anything herein contained to the contrary notwithstanding: (i) the Assignor shall at all times remain liable to the Manufacturer under the Purchase Agreement to perform all of its duties and obligations thereunder to the same extent as if this Assignment had not been executed; (ii) the exercise by the Assignee of any of the rights assigned hereunder shall not release the Assignor from any of its duties or obligations to the Manufacturer under the Purchase Agreement except to the extent that such exercise by the Assignee shall constitute performance of such duties and obligations; and (iii) neither the Assignee nor any Owner Participant shall have any obligation or liability under the Purchase Agreement by reason of, or arising out of, this Assignment nor shall either be obligated to perform any of the obligations or duties of the Assignor under the Purchase Agreement or to make any payment (other than to pay the Purchase Price for the Equipment to the extent and upon the terms and conditions set forth in the Purchase Agreement and the Participation Agreement) or to make any inquiry as to the sufficiency of any payment received by any of them or to present or file any claim or to take any other action to collect or enforce any claim for any payment assigned hereunder. The Assignor represents and warrants that upon making the payments described in the invoices delivered pursuant to Section 3.3 (iv) of the Participation Agreement, there will be no amounts owing, contingently or otherwise, in respect of the Purchase Price of the Equipment.

(b) Without releasing Assignor from any of its duties or obligations under the Purchase Agreement, the Assignee hereby confirms for the benefit of the Manufacturer that, insofar as the provisions of the Purchase Agreement relate to the Equipment accepted by the Assignee under the Purchase Agreement, in exercising any rights under the Purchase Agreement, or in making any claim with respect to the Equipment or other goods and services delivered or to be delivered pursuant to the Purchase Agreement, the terms and conditions of the Purchase Agreement shall apply to, and be binding upon, the Assignee to the same extent as to or upon the Assignor; provided, however, that nothing contained in this Assignment shall in any way diminish or limit the provisions of the Assignor's indemnities in the Participation Agreement or the Lease with respect to any liability of Assignee (or any Owner Participant) to the Manufacturer in any way relating to or arising out of the Purchase Agreement.

(c) Nothing contained herein shall subject the Manufacturer to any liability to which it would not otherwise be

subject under the Purchase Agreement or modify in any respect the Manufacturer's contract rights thereunder or require the Manufacturer to divest itself of title to or possession of the Equipment under the Purchase Agreement until delivery thereof and payment therefor as provided therein.

(d) The Assignor does hereby constitute, effective at any time after an Event of Default or Unmatured Event of Default under the Lease shall have occurred and be continuing, the Assignee and its successors and assigns, the Assignor's true and lawful attorney, irrevocably, with full power (in the name of the Assignor or otherwise) to ask, require, demand, receive, compound and give acquittance for any and all monies and claims for monies due and to become due under or arising out of the Purchase Agreement in respect of the Equipment to the extent that the same have been assigned by this Assignment and, for such period as the Assignee may exercise rights with respect to such monies or claims under this Assignment, to endorse any checks or other instruments or orders in connection therewith and to file any claims or take any action or institute (or, if previously commenced, assume control of) any proceedings and to obtain any recovery in connection therewith which the Assignee may deem to be necessary or advisable.

6. Purchase. On each Closing Date, the Assignor agrees to sell or cause to be sold to the Assignee all of the Equipment and the Assignee agrees, subject to satisfaction or waiver of the conditions set forth in Section 3 of the Participation Agreement, to purchase, pursuant to the Purchase Agreement, the Equipment not previously purchased by the Assignor thereunder from the Manufacturer, all in the manner and for the price provided for in the Participation Agreement and in the Lease.

7. Further Assurances. The Assignor agrees that at any time and from time to time upon written request of the Assignee, the Assignor will promptly and duly execute and deliver any and all such further instruments and documents and take such further action as the Assignee may reasonably request in order that the Assignee obtain the full benefits of this Assignment and of the rights and powers herein granted.

8. Non-Delivery of Equipment. In the event delivery of the Equipment shall not be accepted when tendered by the Manufacturer in accordance with the terms of the Purchase Agreement as the result of a default under Section 2 of the Participation Agreement by any Owner Participant, it is agreed that upon written, telex or telegraphic notice to each Owner Participant, the Assignee and the Manufacturer, the Assignor may cancel and terminate this Assignment.

9. Assignor's Representations, Warranties and Covenants. The Assignor does hereby represent and warrant that the Purchase Agreement is in full force and effect and is enforceable in accordance with its terms and that the Assignor is not in default thereunder and that to the best of the Assignor's knowledge, the Manufacturer is not in default thereunder. The Assignor does hereby further represent and warrant that the Assignor has not assigned or pledged, and hereby covenants that it will not assign or pledge, so long as this Assignment shall remain in effect, the rights hereby assigned or any of its rights with respect to the Equipment under the Purchase Agreement not assigned hereby, to anyone other than the Assignee.

10. No Amendment of Purchase Agreement. Except as expressly provided in Section 2 hereof, or unless an Event of Default or Unmatured Event of Default under the Lease shall have occurred and be continuing, the Assignee agrees that it will not enter into any agreement with the Manufacturer that would

amend, modify, rescind, cancel or terminate the Purchase Agreement insofar as it relates to the Equipment or waive any rights of the Assignor thereunder without the prior written consent of the Assignor.

11. Execution. This Assignment is executed by the Assignor and the Assignee concurrently with the execution and delivery of the Participation Agreement and the Lease.

12. Binding Effect. This Assignment shall be binding upon and inure to the benefit of the Assignor, the Assignee and their respective successors and assigns.

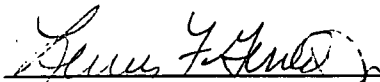
13. Governing Law. This Assignment shall be governed by, and construed in accordance with, the laws of the Commonwealth of Pennsylvania, including all matters of construction, validity and performance.

14. Notice. Notice to the parties hereunder shall be given as provided in the Participation Agreement. Notice to the Manufacturer hereunder shall be given as provided in the Consent and Agreement of the Manufacturer attached hereto.

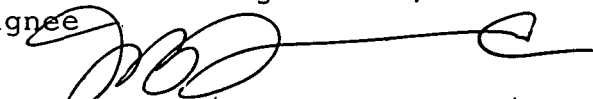
15. Counterparts. This Assignment may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, and all such counterparts shall together constitute one and the same instrument.

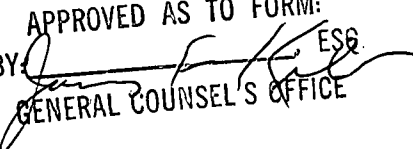
IN WITNESS WHEREOF, the parties hereto have caused this Assignment to be duly executed as of the day and year first above written.

SOUTHEASTERN PENNSYLVANIA
TRANSPORTATION AUTHORITY, as
Assignor

By: 
Name:
Title:

WILMINGTON TRUST COMPANY,
Not in its Individual Capacity
but solely as Owner Trustee
under the Trust Agreement, as
Assignee

By: 
Name: William B. Sowden III
Title: VICE PRESIDENT

APPROVED AS TO FORM:
BY:  ESG
GENERAL COUNSEL'S OFFICE

CONTRACT NO. _____

BETWEEN

SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY

AND

BOMBARDIER INC.

FOR

THE SUPPLY OF 35 PUSH-PULL COMMUTER COACHES

AND

THE SUPPLY OF 7 AEM-7 ELECTRIC LOCOMOTIVES

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This Agreement dated May 27, 1987 is between Southeastern Pennsylvania Transportation Authority ("Owner"), a public instrumentality of the Commonwealth of Pennsylvania and Bombardier Inc. ("Bombardier"), a Canadian corporation.

WHEREAS, Owner desires to purchase ten (10) Bombardier Model JWCII-C Push-Pull commuter cab coaches, twenty-five (25) Bombardier Model JWCII-T Push-Pull commuter trailer coaches (collectively, the "cars") and seven (7) General Motors Corporation, Electro-Motive Division AEM-7 electric locomotives ("locomotives"), and Bombardier desires to sell such cars and locomotives to Owner;

WHEREAS, the parties have agreed upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth, intending to be legally bound, the parties hereby agree as follows:

DIVISION I - GENERAL PROVISIONS

SECTION 1

GENERAL INFORMATION

1.1.1. HEADINGS.

The headings of the articles are for convenience of reference only and shall have no bearing on their interpretation.

1.1.2. NUMBERING OF ARTICLES.

The articles herein are numbered in three parts. The first part denotes the division number; the second, the section number of the division; and the third, the article number of the section.

1.1.3. DEFINITIONS.

When the following abbreviations or terms are used in this Contract, they shall be construed to represent the expression as represented herein below:

Acceptance-Accept, the act of the Owner, or Owner's authorized representative, by which Owner approves the work performed as partial or complete performance of the Contract on

the part of the Contractor. Except for spare parts, Acceptance shall be given as to each car and locomotive after it successfully completes operational tests and any uncorrected defects in the car or locomotive identified by such operational tests have been remedied to the mutual satisfaction of Owner or Owner's authorized representative and Contractor.

Acts of God, an earthquake, flood, cloudburst, cyclone, tornado, hurricane or other cataclysmic phenomenon of nature beyond the power of the parties reasonably to foresee or make adequate preparation in defense of. A rain, flood, blizzard, windstorm or other natural phenomenon of normal intensity for the particular locality and for the particular season of the year in which the work is being prosecuted, as determined from official U.S. or Canadian weather bureau records, shall not be construed as an "act of God."

Base Cars, the thirty-five (35) cars to be manufactured hereunder.

Base Locomotives, the seven (7) locomotives to be manufactured hereunder.

By the Owner, unless otherwise specified, in order to avoid cumbersome and confusing repetition of expressions in the Contract, it is provided that whenever anything is or is to be done if, as, or, when or where "contemplated, required, determined, indicated, considered necessary, deemed necessary, permitted, reserved, suspended, established, approval, approved, disapproved, acceptable, unacceptable, suitable, accepted, satisfactory, unsatisfactory, sufficient, insufficient, rejected or condemned", it shall be understood as if the expression were followed by the words "by the Owner" or "to the Owner."

Cab car, a Bombardier model JWCII-C push-pull commuter coach cab car.

Change Order, a formal written order properly issued and executed by Owner to the Contractor, covering authorized changes in the work to be performed hereunder, within the scope of the Contract, adjusting quantities, and establishing changes in work methods, payment, time for the work or any other relevant contract provision.

Contract, the terms and conditions set forth in this Division I, the Specifications set forth in Division II, drawings, and Change Orders including drawings and/or

specifications, together with all amendments and modifications as provided in paragraph 1.2.3, all of which are to be treated as one instrument.

Contractor, Bombardier, acting directly or through agents or employees, which is primarily responsible to Owner for the quality and acceptable performance of the Project in accordance with the terms of the Contract and for the payment of all persons furnishing goods, services, labor, materials or equipment and other debts assumed or incurred by it in the performance of the Project.

Days, all days are calendar days.

Equipment, cars, locomotives, and manufacturer-recommended spare parts.

Final Acceptance, acceptance by Owner of all the work to be performed hereunder, including any repairs or modifications required to be performed during the warranty period. Final Acceptance shall not take place until expiration of all warranty periods.

Inspector, duly authorized representative of the Owner assigned to inspection of work and materials.

Laboratory, a private testing laboratory employed by Owner or Contractor.

Materials, all raw or prepared materials and manufactured or fabricated products entering into the finished product.

Notice, the word notice shall mean a written notice.

Operational Testing (cars), the testing called for in the Specifications which establishes that each car is in proper running order.

Operational Testing (locomotives), the locomotive operational testing set forth in Attachment 3.

Option Cars, the cars ordered by Owner upon exercise of the option set forth in Article 1.2.1.

Option Locomotives, the locomotives ordered by Owner upon exercise of the option set forth in Article 1.2.1.

Project, the entire work to be performed under the Contract.

Project Director, the employee of Bombardier designated as such who is generally responsible for supervising the implementation of the Project, is authorized to receive communications from Owner, and to make and communicate decisions for Bombardier, who will be available on reasonable notice for meetings concerning the Project and available as necessary in emergencies, or his authorized designee.

Specifications, the Contract provisions set forth in Division II.

State or Commonwealth, the Commonwealth of Pennsylvania.

Subcontractor, persons, firms or corporations who enter into a contract with Contractor or with any other subcontractor to furnish labor or services only, or labor or services and materials, equipment or goods in connection with the work directly or indirectly for or on behalf or for the benefit of the Contractor, whether or not in privity of contract with the Contractor.

Total Contract Price, the total price set forth in Article 1.7.4.

Trailer car, a Bombardier model JWCII-T push-pull commuter coach trailer car.

Verification Testing, the tests set forth in the Specifications, other than operational tests, to verify that the cars and locomotives are in accordance with the Specifications.

Work, shall mean all matters and things herein agreed to be furnished, supplied, fabricated or done by the Contractor in prosecuting the Contract in accordance with its terms.

Working day, a calendar day, exclusive of Saturdays, Sundays, federal holidays, and such other holidays or state office closings as declared by the Governor of Pennsylvania.

The following abbreviations where used throughout the Contract are construed to be the same as the expression herein below:

AAR	Association of American Railroads
AGC	Associated General Contractors of America
AISC	American Institute of Steel Construction
AISI	American Iron and Steel Institute
ANSI	American National Standards Institute (Formerly USASI, United States of American Standards Institute, and ASA, American Standards Association)
AREA	American Railway Engineering Association
ASA	See ANSI
ASCE	American Society of Civil Engineers
ASTM	American Society for Testing and Materials
AWG	American Wire Gage
AWS	American Welding Society
CDRL	Contracts Data Requirements List
CFR	Code of Federal Regulations
CPM	Critical Path Method
CSI	Construction Specifications Institute
CWR	Continuously Welded Rail
DOT	United States Department of Transportation
FRA	Federal Railroad Administration
FS	Federal Specifications
ICC	Interstate Commerce Commission
MDOT	Maryland Department of Transportation
NBS	National Bureau of Standards
OSHA	Occupational Safety and Health Administration, and Occupational Safety and Health Act of 1970 and amendments thereto; United States Department of Labor

PENNDOT Pennsylvania Department of Transportation

UL Underwriters Laboratories, Inc.

USAS United States of America Standard

USASI See ANSI

Note: Whenever a proprietary item is specified, the item supplied shall be the item specified. Substituted items require the approval of the Owner and such approval may not be unreasonably withheld.

NOTE: Additional definitions and abbreviations are shown in Division II.

SECTION 2

AGREEMENT; CONTRACT AND SUBCONTRACT PROCEDURE

1.2.1. AGREEMENT.

The Contractor agrees to:

(a) furnish and deliver thirty-five (35) Bombardier cars in the following configuration: twenty-five (25) trailer cars model number JWCII-T, and ten (10) cab cars model number JWCII-C. All JWCII-T trailer cars shall be as supplied to the New Jersey Transit Corporation ("NJT") pursuant to its Contract No. 86102 with Bombardier Inc., and all JWCII-C cab cars shall be as supplied to MetroNorth Commuter Railroad ("MetroNorth") pursuant to Change Order No. 17 of its Contract No. 0-06-20530-0-0 with Bombardier.

(b) furnish and deliver seven (7) AEM-7 electric locomotives as supplied to the Maryland Department of Transportation ("MDOT") in its Contract No. 846005 with the Electromotive Division of General Motors ("EMD") as per the fourth locomotive supplied.

(c) furnish and deliver a package of recommended spare parts for the cars and a package of recommended spare parts for the locomotives, which are descriptively but not exhaustively set forth in Attachment 1 and 2, respectively, and which in the aggregate total \$5,711,650.

The Contractor shall perform all work incidental to the manufacture and delivery of the equipment listed above. Owner agrees to pay to the Contractor the sums of money hereinafter

mentioned at the time and in the manner and upon the terms and conditions hereinafter set forth.

Option Cars

The Contractor hereby grants to Owner an option to purchase a total of up to thirty-five (35) additional cars in a mix of trailer cars and cab cars, the number of each type car in the mix to be determined by Owner, for the option prices set forth in Article 1.7.4. Such option may be exercised one time only, in whole or in part, at any time by Owner until the close of business on September 30, 1987.

Option Locomotives

The Contractor hereby grants to Owner an option to purchase a total of up to seven (7) additional locomotives for the option prices set forth in Article 1.7.4. Such option may be exercised one time only, in whole or in part, at any time by Owner until the close of business on September 30, 1987.

1.2.2. EFFECTIVE DATE.

This Contract shall become effective upon the date first above written.

1.2.3. CHANGE IN CONTRACT.

No modification or change in the Contract shall be made except by written instrument duly accepted and executed by both parties, i.e., the Contractor and Owner; provided, however, this provision shall not limit or affect Owner's right to prescribe, in writing, changes and variations in the work by Change Order as provided in paragraph 1.7.3.

SECTION 3

SCOPE OF THE WORK

1.3.1. WORK TO BE PERFORMED.

The JWCII-T trailer cars to be provided hereunder shall be identical in all material respects to the corresponding trailer cars manufactured by the Contractor pursuant to its Contract No. 86102 with NJT and the JWCII-C cab cars shall be identical in all material respects to the cab cars manufactured by the Contractor pursuant to Change Order No. 17 of its Contract No. 0-06-20530-0-0 with MetroNorth. The locomotives to be provided hereunder shall be identical in all material respects to

the 4th AEM-7 locomotive manufactured by EMD pursuant to EMD's Contract No. 846005 with MDOT.

1.3.2. MATERIAL, SAMPLING AND TESTING AND SUBSTITUTES.

Owner shall have the right to witness tests on any or all parts of the cars and locomotives that are required by the Specifications to be conducted at the source of fabrication or at the site of assembly. Owner shall not delay any test.

The Contractor shall submit a detailed summary showing chronological order and proposed time frames for all testing requirements shown in the Specifications, to be submitted reasonably prior to the first test.

Division II may specify certain Contractor testing and reporting requirements. No specific payments will be made for any testing or reports required in Division II, unless scheduled in Article 1.7.4, and all costs of such testing and reporting are to be borne by the Contractor.

The Contractor hereby agrees and understands that the specifying of a brand name or proprietary item for components in the Specifications shall not relieve the Contractor from its responsibility to manufacture the cars and locomotives in conformance with the performance warranty and contractual requirements. Whenever a brand name or proprietary item is specified for a component, the item supplied shall be the item specified. Substitutes require Owner's approval which shall not be unreasonably withheld. The Contractor is responsible for notifying Owner of any inappropriate brand name or proprietary item component that may be called for in the Specifications and to propose for consideration and approval by Owner a suitable substitute that will perform adequately the functions and achieve the results called for by the Specifications for such item. Contractor may also propose for consideration and approval by Owner a suitable substitute that is equivalent or equal to any appropriate brand name or proprietary item called for in the Specifications.

1.3.3. ENGLISH LANGUAGE; MEASUREMENT GUIDELINES; SERVICE FACILITIES.

When necessary, the Contractor shall furnish an English speaking representative or interpreter to be available for discussions. Without exception all written deliverables, e.g. instruction books, nameplates, etc. shall be written in the English language. For all letters, cables, telephone

conversations, meetings, etc., the English language shall be used.

The Contractor and its Subcontractors and Suppliers shall maintain adequate field service and replacement parts facilities within the continental United States for all of the components incorporated in the cars and locomotives. Before expiration of the warranty period the Contractor shall make arrangements to assure that following the warranty period all necessary components required for maintaining the cars and locomotives shall be available within reasonable periods of time.

SECTION 4

CONTROL OF THE WORK

1.4.1. AUTHORITY OF THE OWNER.

Within the contractual requirements, the Owner will make all necessary explanations, judgments and interpretations as to the meaning of the Specifications; shall give all orders and directions contemplated under this Contract in writing; shall determine in all cases the amount, quality, acceptability and fitness of the several kinds of work which are to be performed or furnished under this Contract; and shall be the initial judge in interpreting conflicts or controversies as to the meaning or fulfillment of Specification requirements.

1.4.2. PRECEDENCE OF CONTRACT DOCUMENTS.

In the event of conflict among any of the provisions of the Contract documents, the following shall be the order in which such provisions shall govern:

- (A) Division I - General Provisions
- (B) Division II - Specifications
- (C) Shop Drawings

1.4.3. DRAWINGS.

The Contractor shall deliver to Owner as-built drawings for the cab car and trailer car and, for the locomotive, those drawings Contractor receives from EMD showing the configuration and schematics of the locomotive.

1.4.4. INSPECTIONS AT CONTRACTOR'S FACILITIES.

All work done and all materials furnished under this Contract shall be in full accordance with the Specifications and shall be subject to thorough inspection as provided in this Contract. It is the intent of the parties that Owner not interfere with the sequence or progress of manufacture by the Contractor or its subcontractors, it being understood that time for performance is limited and that the cars and spare parts, and locomotives and spare parts to be supplied hereunder have been successfully manufactured by Contractor and its subcontractor EMD, respectively, for a period of years.

When Owner, or any agent, assignee or representative is in or about the Contractor's premises above referred to in the course of his employment, he shall be deemed conclusively to be an invitee of the Contractor. If the Contractor is not the owner of the place where fabrication, preparation or manufacture is in progress, the owner thereof shall be deemed to be the agent of the Contractor with respect to the obligations assumed hereunder. The Contractor or his agent shall be responsible for the payment of claims for injuries to the Owner, its agents, assignees or representatives due to negligence on the part of the Contractor or its agent. Owner, its agents, assignees or representatives will comply with applicable health and safety rules, regulations and laws with respect to Contractor's or its agent's premises. The cost of providing the necessary facilities, information, assistance and protection and of satisfying claims for injuries specified above shall be included in the Total Contract Price.

Office, Exclusive Use Of The Owner and Inspection Forces

Upon request by the Owner, the Contractor shall provide and maintain at the sites of assembly of the cars and locomotives, reasonable office facilities including a telephone. Any telephone charges will be reimbursed by Owner.

Expedited Production Procedures

A representative of the Owner may be stationed at each of the Contractor's work sites for the cars and the work sites of Contractor's key subcontractor, EMD, for the locomotives. The work sites are located in LaPocatiere, Quebec and Barre, Vermont for the cars and LaGrange, Illinois for the locomotives. Each such representative shall be vested with authority from the Owner to make immediate decisions with respect to all questions which may arise concerning the work and shall record such decisions on a "work decision form", the form of which shall be agreed upon by

Owner and the Contractor promptly after execution of this Contract.

In the event that a disagreement arises between the Contractor and Owner with respect to the conduct of the work, the Owner or Project Director may request orally that a meeting be held at the site of the work where such disagreement arose.

Such meeting shall be scheduled promptly at the mutual convenience of the Owner and Project Director.

The foregoing procedures are intended to expedite the production process and facilitate mutual good faith negotiations between the parties while, at the same time, ensuring that both parties are provided maximum opportunity to clarify any areas of disagreement. It is expressly agreed and understood that either party may propose additional procedures for this purpose and that the other party, in good faith, will consider such additional procedures for implementation.

1.4.5. AUDIT AND INSPECTION OF RECORDS.

The Contractor shall permit the representatives of a mutually acceptable Big 8 certified independent public accounting firm to inspect and audit all data and records of the Contractor necessary to evaluate claims, Change Orders, and extensions of time; and if Owner has reason to believe that the work, quality of workmanship or material differs from the agreed scope of work, until the expiration of three (3) years after final payment under this Contract.

The Contractor further agrees to use its best efforts to include in all its subcontracts hereunder a provision to the effect that the Subcontractor agrees that such representatives shall, until the expiration of three (3) years after final payment under the subcontract, have access to and the right to examine any directly pertinent books, documents, papers, and records of such Subcontractor, involving claims, Change Orders and extensions of time related to the subcontract. The term "Subcontractor" as used in this clause excludes (1) purchase orders not exceeding an amount equal to two percent (2%) of the Total Contract Price and (2) subcontracts or purchase orders for public utility services at rates established for uniform applicability to the general public.

The periods of access and examination described above, for records which relate to litigation or the settlement of claims arising out of the performance of this Contract shall

continue until such appeals, litigation, claims, or exceptions have been disposed of.

1.4.6. UNAUTHORIZED OR DEFECTIVE WORK.

All work which does not conform to the requirements of the plans, Specifications and shop drawings will be considered unacceptable.

Unacceptable work, whether the result of faulty workmanship, use of defective materials, damage through carelessness or any other cause as determined by the Owner, that is found prior to Final Acceptance of all cars and locomotives, shall be removed and replaced immediately with work that conforms to the requirements of the Contract.

1.4.7. CHANGED WORK.

When the Owner causes the Contractor to perform changed work, such change may form a basis for a claim for additional compensation or extension of time, or revision of weight or performance requirements or other contract provisions which are necessary to compensate for the change.

When the Contractor considers that Owner has effected or may effect a change in the terms and conditions of the Contract that has not been identified as such in writing and signed by the Contractor, it will notify Owner in writing within ten (10) working days of Owner or Owner's effecting such change. Notification shall be effected in the following manner.

The notice shall state on the basis of the most accurate information available to the Contractor:

(A) The date, nature and circumstances regarded as a change.

(B) The identification of any documents and the substance of oral communication involved in such change.

(C) The particular elements of the Contract performance for which the Contractor may seek an equitable adjustment, including the Contract provision affected by the alleged change, labor and materials affected by the alleged change, the delay and disruption of Contract performance which may have been caused by the alleged change.

(D) The adjustments to the Total Contract Price, delivery schedule, weight, or performance provisions.

Following submission of the notice discussed above, the Contractor shall diligently continue performance of the Contract to the extent possible. Upon receipt of the notice, the Owner promptly shall submit a written response in which he shall:

(A) Confirm that the alleged act constitutes a change and, where necessary, direct the mode of further performance.

(B) Countermand any communication regarded as a change.

(C) Deny that the act of which Contractor has given notice has constituted a change order

(D) In the event that the Owner considers the information insufficient, advise the Contractor of the additional information which will be required and establish the dates by which the information should be furnished and on which Owner will thereafter respond.

If the Owner's act has effected a change as alleged and such act has caused an increase in the cost, time or manner of performance requirements, an equitable adjustment shall be made in the price, delivery schedule or other Contract provisions and the Contract shall be modified in writing accordingly. In the event that the Owner denies that the alleged act has caused a change, the denial shall not affect the Contractor's legal remedies which shall be reserved.

1.4.8. ACCEPTANCE OF PROJECT.

Pre-Shipment Notice of Completion of Testing

The Contractor shall conduct, and a representative of Owner may observe, Operational Testing of the locomotives and, in the case of the first four (4) locomotives to be delivered hereunder, Verification Testing and, in the case of the cars, all testing, at the place of final assembly. Upon completion of (a) Operational and Verification Testing with respect to each of the first four (4) locomotives to be delivered hereunder and (b) Operational Testing with respect to the final three (3) locomotives to be delivered hereunder, Contractor shall deliver to Owner a Notice of Completion of (i) Operational and Verification testing or (ii) Operational Testing, as the case may be. Upon completion of the testing of each car, Contractor shall deliver to Owner a Notice of Completion of such testing.

Upon receipt of each Notice of Completion of testing, Owner's representative at the site of final assembly shall (a)

inspect each car and locomotive; and (b) compile with respect to such car or locomotive a list of any defects or deficiencies ("open items") requiring correction that were noted during the manufacturing process or discovered during such testing and inspection and, unless such defects or deficiencies are material, (c) the Contractor shall issue with respect to such car or locomotive a certificate of readiness for conditional acceptance. Following the Contractor's issuance of such certificate, the Contractor shall ship or cause to be shipped the car or locomotive, as the case may be, to the Delivery Point.

Delivery Inspection, Testing and Acceptance

When a car or locomotive is delivered at the designated Delivery Point, Owner representative at said point shall give to the Contractor's representative at said point a notice of arrival stating the date upon which such car or locomotive was received.

If post-delivery inspection of the car or locomotive discloses shipment damage that would render the car or locomotive unfit for revenue service, a notice will be given to the Contractor's representative indicating that fact and that the car or locomotive will not be accepted until such defects have been corrected, at the expense of the Contractor, to the satisfaction of the Owner.

If post-delivery inspection discloses either that the car or locomotive has not sustained any damage or that it has sustained damage which does not render it unfit for revenue service, Owner's representative shall issue to the Contractor's representative a notice of conditional acceptance. Such notice shall specify all open items noted by the representatives of the Contractor and Owner both prior to and after shipment (regardless of whether such items arose during shipment or the manufacturing process) of the car or locomotive and shall provide that it is accepted on condition that the Contractor makes any necessary repairs or other corrective action so that the open items are remedied. Upon issuance of the notice of conditional acceptance, the car or locomotive shall be considered to have been accepted for payment.

Within 30 days of the notice of conditional acceptance, each car and locomotive for which Verification Testing has not been completed shall be subjected to any remaining Verification Testing, the purpose of which is to verify that the car or locomotive is in accordance with the requirements of the Contract, except, however, that Verification Testing of the locomotives may be done sequentially. Following completion of such Verification Testing, the Contractor shall remedy all open

items listed in the certificate of conditional acceptance, as well as any additional open items discovered during the Verification Testing process. The Contractor shall, as promptly as practicable, remedy all such open items, and Owner shall accept the car or locomotive after all such open items have been satisfactorily remedied.

Owner shall not, nor shall any officer thereof, be precluded or estopped by any return or certificate made or given by any of its agents, assignees or representatives under any provisions of this Contract, from showing at any time either before or after the final completion or acceptance of the work and payment therefor, the true and correct amount, quality and character of the work done and materials furnished by the Contractor or any person under this Contract, or from showing at any time that any such return or certificate is untrue and incorrect or improperly made, or that work and materials or any part thereof do not in fact conform to the Specifications; and Owner shall not be precluded or estopped, notwithstanding any such return or certificate and payment in accordance therewith, from demanding and recovering from the Contractor such damages as Owner may sustain by reason of Contractor's failure to comply with the Contract documents, except as limited herein.

SECTION 5

LEGAL AND PUBLIC RELATIONS

1.5.1. PERSONAL LIABILITY.

In carrying out the provisions of this Contract or in exercising any power or authority granted them by their position, there shall be no individual personal liability upon the officers, directors, employees or agents of Owner, of Owner's assignees or successors in interest under this Contract, of Owner's authorized representatives, either personally or as individuals acting in an official capacity, it being understood that in such matters they act only as officers, directors, employees, agents or representatives of their respective organizations.

1.5.2. DAMAGE CLAIMS, RISKS AND INSURANCE REQUIREMENTS.

As between Owner and Contractor, the Contractor shall be solely responsible for all physical injuries (including death) to persons (including employees of the Contractor, Subcontractors, Suppliers and Owner) and damage to property (including property of Owner, the Contractor, Subcontractors or

Suppliers) occurring on account of or in connection with the performance of the work hereunder or the correction of any defects in such work or sustained by any employee of the Contractor, Subcontractors, Suppliers, Owner or other persons, while at the site of such work or occurring during the shipment of the cars and locomotives to the designated point of delivery and acceptance thereof. The Contractor shall indemnify, defend and save harmless Owner and their officers, employees, and agents from loss and liability upon any and all claims on account of such injuries to persons (including death) or damage to property and from all costs and expenses (including attorneys' fees), suits and actions which may be brought against Owner and their officers, employees and agents on account of any such injuries to persons (including death) or damage to property, irrespective of the actual cause of the accident but excepting physical injuries and property damage to the extent caused by or resulting from the negligence of Owner or occurring when the cars and locomotives are under the control of Owner (except to the extent attributable to the acts, errors or omissions of the Contractor); provided, however, that the Contractor's responsibility for claims of alleged products liability for defects in manufacture shall be unaffected by this Article and its obligation, if any, to indemnify shall be as provided by law.

The term "loss and liability" as used above shall be deemed to include liability for the payment of workers' compensation and disability insurance benefits under the workers' compensation statutes of the Commonwealth of Pennsylvania.

The Contractor further assumes the risk of loss or damage to the cars and locomotives at all times prior to delivery at the designated Delivery Point or while in the possession or under the control of the Contractor regardless of the cause of such loss or damage, and shall, at its own expense, repair and replace in conformance with the requirements of the Contract, under the direction and to the satisfaction of Owner, all cars, locomotives and parts thereof so lost or damaged.

Insurance Requirement.

The Contractor shall carry, as a minimum, the following types and amounts of insurance in addition to all other types of insurance and bonds required by the Contract:

(A) WORKMEN'S COMPENSATION INSURANCE: The Contractor shall carry workmen's compensation insurance in accordance with applicable legal requirements for all Contractor's employees who are engaged in work on the Project. If any part of the Contract is sublet, the Contractor will require its Subcontractors and

Suppliers to maintain such insurance for all of their employees who are so engaged.

(B) LIABILITY INSURANCE: Adequate public liability and property damage insurance, including products liability insurance, to protect the Contractor from claims for personal injury, death and damage to property which may arise in any way from operations under this Contract, whether such operations be by the Contractor or by any one directly or indirectly employed by it. The amounts of such insurance shall be as follows:

Public liability insurance including product liability insurance in an amount not less than Ten Million (\$10,000,000) dollars (U.S) for injuries, including death, to any one person, in an amount not less than Ten Million (\$10,000,000) dollars (U.S.) on account of any one occurrence and property damage insurance in an amount of not less than Ten Million (\$10,000,000) dollars (U.S.) on account of any one occurrence. If any part of the Contract is sublet, the Contractor shall require its Subcontractors and Suppliers to maintain adequate public liability and property damage insurance, including products liability insurance, to protect them and their employees.

In addition, with respect to operations the Contractor performs and those operations performed for the Contractor by Subcontractors and Suppliers, the Contractor shall carry for and in the name of Owner regular protective liability insurance in the amount of \$250,000/\$500,000 and regular protective property damage liability insurance in the amount of \$500,000/\$1,000,000.

(C) FORM AND PROOF OF COVERAGE: The forms of the policies called for by this Article and the companies issuing same, shall be satisfactory to Owner, and the insurance so provided shall be carried until all work required to be performed under the terms of this Contract has been satisfactorily completed and final acceptance of the Project by Owner. These insurance provisions do not release the Contractor from any of its obligations under the terms of the Contract. Insurance policies, as required above, shall be issued by an insurance company satisfactory to Owner and one regularly doing business in the Commonwealth, unless otherwise approved by Owner.

Within ten (10) working days of the date hereof, the Contractor shall furnish Owner with satisfactory proof of coverage of the insurance required, which proof shall obligate the carrier to give Owner ten (10) days prior written notice of its intentions to terminate or substantially change the coverage

afforded by the policies. Owner shall not be liable for the payment of any premiums under the foregoing and the certificates or policies shall be endorsed to that effect.

The Contractor expressly understands and agrees that any insurance protection required by this Contract, or otherwise provided by the Contractor, shall in no way limit its responsibility to indemnify, keep and save harmless and defend Owner, and their officers, agents and employees as provided in this paragraph 1.5.2.

Third Party Beneficiary Clause

It is specifically agreed between the parties executing this Contract that it is not intended by any of the provisions of any part of the Contract to make the public or any member thereof a third party beneficiary hereunder, or to authorize anyone not a party to the Contract to maintain a suit for personal injuries or property damage pursuant to the terms or provisions of the Contract.

Patents

The Contractor covenants and agrees to save harmless and indemnify Owner against all claims, suits, actions or proceedings by reason of alleged infringement of patents, or for patent royalties involved in consequence of the purchase and use of the cars, locomotives, and parts covered hereby; provided however, that such covenant and agreement shall not apply to any materials, equipment, or components specified by or manufactured to the design of Owner or in accordance with the details contained in the plans and Specifications and other Contract documents and they shall not apply to the use of any cars, locomotives or components furnished under this Contract in conjunction with any other product in combinations not furnished hereunder by the Contractor.

This covenant and agreement shall extend to all patents granted either before or after the delivery of said cars, locomotives, and parts to Owner. The Contractor shall defend any suit or proceeding brought against Owner so far as based on a claim that any car, locomotive or any part thereof, furnished under the Contract constitutes an infringement of any patent of the United States or Canada, if notified promptly in writing and given authority, information and assistance (at Contractor's expense) for the defense of same, and the Contractor shall pay all damages and costs awarded therein against Owner. In case said cars, locomotives, or any part thereof, is in such suit held to constitute infringement and the use of said cars, locomotives,

or parts is enjoined, the Contractor shall, at its own expense and at its option, either procure for Owner the right to continue using said cars, locomotives, or parts; or replace same with non-infringing cars, locomotives, or parts; or modify them so they become non-infringing; or remove said cars, locomotives, or parts and refund the purchase price and the transportation and installation costs thereof. The foregoing states the entire liability of the Contractor for patent infringement by said cars, locomotives, or any part thereof.

1.5.3. LAWS, ORDINANCES, AND REGULATIONS.

The Contractor shall observe and comply with all federal, state and local laws, in the United States or abroad, that affect the work or those engaged in executing the work of the Project as relates to labor, materials, equipment or the conduct of the work.

1.5.4. PERMITS AND LICENSES.

Except as may be hereinafter provided, the Contractor shall procure all required permits and licenses, foreign or domestic, pay all charges and fees therefor, and shall give all notices necessary and incident to the due and lawful prosecution of the Project. The cost thereof shall be borne by the Contractor.

1.5.5. REMEDIES; DISPUTES.

Except as otherwise provided herein, Owner and Contractor may each avail itself of each and every remedy herein specifically given to it, or now or hereafter existing at law or in equity or by statute, and each and every such remedy shall be in addition to every other remedy so specifically given or otherwise so existing and may be exercised from time to time and so often and in such order as may be deemed expedient by Owner or Contractor and the exercise, or the beginning of the exercise, of one remedy shall not be deemed to be a waiver of the right of exercise, at the same time or thereafter, of any other remedy. Nothing in this Contract shall operate as a waiver by the parties of their respective legal remedies.

It is expressly agreed and understood that any court proceeding arising out of a dispute under the Contract shall be heard de novo and the court, shall not be limited in such proceeding to the issue of whether Owner acted in an arbitrary, capricious or grossly erroneous manner.

This Contract shall be governed by the laws of the Commonwealth of Pennsylvania as they may from time to time be in effect. The Contractor, by entering into this Contract, consents and submits to the jurisdiction of the courts of Pennsylvania over any action at law, suit in equity, or other proceeding that may arise out of this Contract, and, if the Contractor is a corporation, agrees during the term of the Contract and of the warranty under Article 1.7.5. to maintain within the Commonwealth of Pennsylvania an agent with officers to accept service of legal process on its behalf. Within five (5) days of the date of execution of this Contract, the Contractor shall notify Owner of the name and address of such agent.

1.5.6. NOTICES.

Any notice or communication required or permitted hereunder shall be in writing and shall be deemed to have been duly given if delivered by hand or mailed, postage prepaid (provided that any notice of default shall be sent by certified mail):

(a) If to Owner, to:

Southeastern Pennsylvania Transportation Authority
2nd and Wyoming
Philadelphia, Pennsylvania

Attention: John T. Prader, Project Director

(b) If to the Contractor, to:

Bombardier Inc.
1350 Nobel Street
Boucherville, Quebec
Canada J4B 1A1

Attention: SEPTA Project Director

or to such other person or address as Owner or the Contractor shall furnish to the other party in writing. The date of service of any such notice or communication shall be the date of hand delivery or two (2) days after mailing, as the case may be.

SECTION 6

PROCEDURE AND PROGRESS

1.6.1. ASSIGNMENT OR TRANSFER.

The Contractor shall not assign or transfer this Contract or any part thereof or any money due or to become due hereunder without the express consent, in writing, of Owner.

The Contractor avers and represents that no such assignment or transfer of this Contract has been made and that no payment or part payment which may accrue hereunder has ever been assigned; said averment and representation being a material inducement to the execution of this Contract by Owner.

The provisions of this Contract as to performance by the Contractor shall apply to all Subcontractors, their officers, agents, or employees in all respects as if they were employees of the Contractor, and the work and materials furnished by them shall be subject to the provisions hereof as if furnished by the Contractor.

No assignment or transfer, even though consented to, shall relieve the Contractor from its liability under this Contract for the performance and completion of the work in the manner and within the time specified elsewhere herein.

1.6.2. PROGRESS.

Within thirty (30) days of the date hereof, the Contractor shall deliver to Owner detailed progress schedules for the base cars and locomotives. Such progress schedules shall be updated monthly and shall include information regarding matters such as procurement releases, basic schedules for subcontracts, shipment information with respect to the cars, locomotives and major equipment (to the extent available) and anticipated problems (if any).

1.6.3. COMPLETION TIMES, DELIVERY.

Base Car Schedule

The Base Cars, with the sequence of Cab cars and Trailer cars to be determined by the Contractor, shall be delivered in accordance with the following schedule:

September, 1987	9
October, 1987	22
November, 1987	2
December, 1987	<u>2</u>
	35

Option Car Schedule

Option Cars shall be delivered as agreed in the Change Order exercising the option.

Base Locomotive Schedule

The Base Locomotives shall be delivered in accordance with the following schedule:

November, 1987	2
December, 1987	<u>5</u>
Total	7

Option Locomotive Schedules

Option Locomotives shall be delivered as agreed in the Change Order exercising the option.

Delivery Site

The Contractor shall deliver the cars and locomotives to a location in the Philadelphia metropolitan area to be designated by SEPTA (the "Delivery Point") and all costs of transporting shall be borne by the Contractor. Notice five (5) days prior to proposed delivery day shall be given the Owner.

Any temporary fittings and parts required for shipment of the cars and locomotives shall be furnished by the Contractor and removed by the Contractor when the cars and locomotives are delivered, as necessary. The cost of supplying these fittings and parts and the labor of installing, removing and returning them to the Contractor shall be borne by the Contractor and included in the Total Contract Price.

Title

Title to the cars and locomotives to be delivered under the Contract will pass to Owner upon their delivery to the Delivery Point.

The Contractor shall furnish prior to payment releases of all liens on the cars and locomotives.

1.6.4. UNAVOIDABLE DELAYS.

The Contractor shall not be liable for delays in completing the work beyond the time stated in this Contract only if the Contractor shall be actually and necessarily delayed by reason of (A) any labor strike not determined by any final judicial or administrative adjudication to have been caused, instituted or provoked by the illegal act of the Contractor or any Subcontractor, Supplier, agent, or representative of the Contractor; (B) acts of God, riot, war, fire, floods and epidemics; (C) any injunction or interference of public authority; (D) any order, rule or regulation of any federal agency; or (E) any other cause beyond the reasonable control of the Contractor.

Whenever the Contractor has knowledge of any of the conditions described above which threatens to delay the delivery of the cars or locomotives, the Contractor must, within ten (10) days of its learning of the condition, give written notice thereof, including all relevant information with respect thereto, to Owner. Failure to give notice shall deprive the Contractor of any rights to an extension of time for delivery on account of such conditions.

Only the actual delay necessarily resulting from one or more causes shall be grounds for extension of time. A Change Order will be issued to authorize approved extensions of time.

1.6.5. ANNULMENT OF CONTRACT.

If in the event of a national emergency, construction is stopped, directly or indirectly, by any national or state agency, Owner may annul the Contract on thirty (30) days written notice to the Contractor and, if the Contractor be not in default, payments will be made as provided in Article 1.7.4 for all work done under the terms and conditions of the Contract (together with amounts in respect of anticipated profits for the work), except that payments will be made in such amounts as the Owner may reasonably consider just and proper for such parts of the work that are not fully completed and for that reason not susceptible of classification under the Contract.

1.6.6. DEFAULT OF CONTRACTOR; CERTIFICATION OF EXPENSE;
TERMINATION

If the work to be done under this Contract is abandoned by the Contractor, or if the performance of the Contract is unnecessarily or unreasonably delayed by the Contractor, or, if the Contractor is violating any material term of this Contract, or is not executing the same in good faith or in accordance with the terms thereof, or, if the Contractor shall become insolvent or be declared bankrupt, or commit any act of bankruptcy or insolvency, the Owner may give notice in writing to the Contractor of such delay, neglect or default, specifying the same, and, if the Contractor shall fail to take reasonable steps to cure any of the foregoing within a period of ten (10) days after such notice, then Owner, shall have full power and authority to:

(A) Declare the Contractor to be in default, and Owner may thereupon notify the Contractor, by written notice, to discontinue all work or any part thereof under this Contract and thereupon the Contractor shall discontinue the work or such part thereof, and Owner shall thereupon have the right either for the Contractor, for its account and at its risk or otherwise as Owner may determine, to contract for the completion of the work or such part thereof, to procure other materials, plant, tools, appliances, physical resources, supplies, and property for the completion of the work or such part thereof, and to charge the expenses of said labor and materials, plant, tools, appliances, physical resources, supplies and property to the Contractor. The expense so charged may be deducted and paid by Owner out of such monies as may be due or may at any time thereafter become due to the Contractor under and by virtue of this Contract and the Contractor shall, upon completion of the work or such part thereof or from time to time during the course of the completion of the work or such part thereof, as Owner may require, forthwith pay to Owner with interest, the excess, if any, of the cost to Owner of the completion of the work or such part thereof, over the amount payable to the Contractor for the same work and materials under the terms of this Contract; provided however, that the Contractor shall not be liable to Owner for any penalties incurred solely by reason of the fault of a new contractor engaged by Owner, and the completion of the work or such part thereof by Owner shall not release or discharge the Contractor from liability hereunder, and when any particular part of the work is being carried on by Owner by contract or otherwise under the provisions of this paragraph (A), the Contractor, unless it shall have been directed to discontinue all work, shall continue the remainder of the work in conformity with the terms of this Contract in such manner as in nowise to hinder or

interfere with other contractors of Owner or with the persons or workmen employed, as above provided by Owner by contract or otherwise, to do any part of the work or to complete the same under the provisions of this paragraph (A); or

(B) Declare this Contract at an end except as to the liability of the Contractor hereinafter in this paragraph provided for, and Owner shall thereupon have the right to contract for the completion of the work, to procure other materials, plant, tools, appliances, physical resources, supplies, and property for the completion of the same. And in case the expense of Owner of completing the work (including the expense of procuring other materials, plant, tools, appliances, physical resources, supplies and property) shall exceed the amount which would have been payable to the Contractor for the same work and materials under this Contract if the Contract had been completed by the Contractor, it shall, upon the completion of the work or from time to time during the course of the completion of the work as Owner may require, pay the amount of such excess with interest, to Owner. And the Contractor shall also pay to Owner the amount of any claim for which Owner may be liable for injury to persons or property occurring, on account of any work done by the Contractor under this Contract, by reason of negligence, fault or default of the Contractor or for infringement of patents or from any neglect, fault or default of the Contractor all as hereinabove set forth and shall also pay to Owner the amount of any other expense, including legal fees, which Owner may incur or be liable for, and the amount of any payment which Owner may be required to make, and the amount of any loss or damage which Owner may incur, or suffer, by reason of any neglect, fault or default of the Contractor; and

(C) Owner may also bring any suit or proceedings for specific performance or for injunction or to recover damages or to obtain any other relief or for any other purpose proper under this Contract.

The sums, amounts and credits as provided in Article 1.6.6 to be paid Owner for any default in the completion or performance of the said work, as contracted, are hereby agreed upon, not as penalties, but as compensation for damages Owner will suffer by reason of such default, the loss of use of property and/or revenues, interest on monies borrowed, increased administrative, engineering and labor costs and other tangible and intangible losses.

Certificate of Expense

In case Owner shall proceed under this Article, "default of contract," to complete the work, the expense so incurred by Owner, shall, after completion of the work, be certified to by the Owner upon demand in writing by either party hereto and such certificate shall be admissible as evidence against the Contractor in any litigation arising or growing out of this Contract.

1.6.7. LIQUIDATED DAMAGES.

Efficient operations in completing the work as specified is of paramount importance. If the cars and locomotives shall fail to satisfy the standard of work set forth in Article 1.3.1, thus resulting in delays in delivery of the cars and locomotives beyond the dates provided in paragraph 1.6.3, as it may be modified or changed in accordance with the Contract, or deferred in accordance with paragraph 1.6.4, Owner shall assess credits, as liquidated damages, as set forth in this Article.

Time is of the essence with respect to each item for which a delivery date is stipulated (either individually or as one of a group) in the Contract. The Contractor is firmly obligated to meet such dates, except as any such date may be deferred in accordance with the provisions of Article 1.6.4.

In the event that any of the cars (excluding option cars) or the locomotives (excluding option locomotives) has not been conditionally accepted by the Owner by December 31, 1987, and this actually results in the loss of any benefits of "safe harbor leasing" anticipated to be obtained by Owner, there will be assessed as liquidated damages and not as a penalty, the following amounts:

Cars

The first 25 cars produced: An amount equal to any loss to Owner of tax benefits, subject to a maximum of \$123,255 for each trailer car and \$143,520 for each cab car not conditionally accepted by December 31, 1987.

The next 10 cars produced: An amount equal to any loss to Owner of tax benefits, subject to a maximum of \$61,627.50 for each trailer car and \$71,760 for each cab car not conditionally accepted by December 31, 1987.

Locomotives

The first 5 locomotives produced: An amount equal to any loss to Owner of tax benefits, subject to a maximum of \$385,800 for each locomotive not conditionally accepted by December 31, 1987.

The next 2 locomotives produced: An amount equal to any loss to Owner of tax benefits, subject to a maximum of \$289,350 for each locomotive not conditionally accepted by December 31, 1987 plus \$96,000 or, at SEPTA's option, a cash credit to Owner in an amount equal to \$289,350 of the purchase price plus \$96,000 for each such locomotive.

Section 7

PAYMENT

1.7.1. SCOPE OF PAYMENT.

The Contractor hereby agrees to accept payment as provided in Article 1.7.4 as full payment for performing and completing the Project, for furnishing all labor, materials, equipment, tests and all else necessary therefor and for all incidental expenses in connection therewith, including all additional expenses due to unforeseen difficulties encountered.

1.7.2. EXERCISE OF OPTIONS.

Should Owner exercise any part or all of the options as specified in Article 1.2.1, a Change Order will be issued to cover the work to be completed, and no payment for the Option Cars or Option Locomotives will be made until Owner has executed the Change Order. The Change Order shall include a delivery schedule as agreed between Owner and the Contractor.

1.7.3. CHANGE ORDER PROCEDURES.

Subject to Article 1.8.4, Owner may, at any time, by issuance of a fully executed Change Order make any change in the

work within the general scope of the Contract, including but not limited to the changes in:

- (1) The Specifications.
- (2) Method or manner of performance of work.
- (3) Delivery times (provided that the delivery schedule may not be accelerated).

Any other written order (which terms shall include direction, instruction, interpretation, or determination) by the Owner, which causes any such change will be treated as a Change Order under this subsection; provided that the Contractor gives the Owner written notice within ten (10) working days, stating the date, circumstances and source of the order, and that the Contractor regards the order as a Change Order. Should the Owner agree that a Change Order has been given, a Change Order form will be executed.

Except as herein provided, no order, statement, or conduct of the Owner shall be treated as a Change Order under this clause or entitle the Contractor to adjustment hereunder.

If any change under this clause causes an increase or decrease in the Contractor's cost of, or the time required for, performance of any part of the work under this Contract, or should the change require modifications of any other provision of the Contract, whether or not changed by the Change Order, an equitable adjustment will be made and the Contract modified accordingly; provided, however, that no claim for any change will be allowed for any costs incurred more than ten (10) days before the Contractor gives written notice as required.

If the Contractor intends to assert a claim for equitable adjustment under this subsection, it must within twenty (20) days after receipt of a Change Order, submit to the Owner a written statement setting forth the general nature and monetary extent of such claim, unless this period is extended by Owner. The statement of claim may be included in the notice to the Owner that a change has occurred.

The Contractor shall include in such statement of its claim, unless not reasonably possible within such twenty (20) day period, a detailed proposal which includes adjustments to the Contract price (reduced to cost elements, including ten percent (10%) net profit), to the delivery schedule, or to any other provisions of the Contract necessary to accomplish the change. This proposal may be accepted or modified by negotiations between

the Contractor and Owner. If an agreement is reached, a detailed modification to the Contract shall be executed in writing by both parties. If the parties fail to reach agreement, the Owner may nevertheless issue a directive to the Contractor to proceed in accordance with the Change Order, whereupon the Contractor shall be obligated to proceed in accordance with the work thereunder. In this event, the Contractor shall be entitled to assert a claim in accordance with Article 1.5.5 based upon any aspect of the Change Order, including omissions, which the Contractor disputes; provided that any such dispute relates to specific matters raised by the Contractor prior to issuance of the directive to proceed.

1.7.4. MEASUREMENT AND PAYMENT.

A. Base Order

The following is the price schedule payable in U.S. dollars, for the Base Cars, Base Locomotives, and the spare parts:

<u>Trailer Cars:</u>	\$ 821,700 per trailer car \$20,542,500 for 25 trailer cars
<u>Cab Cars:</u>	\$ 956,800 per cab car \$ 9,568,000 for 10 cab cars
<u>Locomotives:</u>	\$ 3,858,000 per locomotive 27,006,000 for 7 locomotives
<u>Spare Parts:</u>	<u>\$ 5,711,650</u>
Total Contract Price	\$62,828,150

The Contractor also shall be paid the following amounts at the time of delivery for cars and locomotives delivered at the Delivery Point on or before December 31, 1987 as specified below:

Cars

20th car	\$100,000
30th car	\$200,000
35th car	\$250,000

Locomotives

5th locomotive	\$100,000
6th locomotive	\$200,000
7th locomotive	\$250,000

B. Option Cars

The price of Option Cars shall be \$821,700 per trailer car and \$956,800 per cab car, provided that the option is exercised on or before March 31, 1987. After that date, until expiration of the option on September 30, 1987, the prices shall be \$862,800 per trailer car and \$998,600 per cab car.

The schedule for Option Car payments shall be consistent with Owner Equipment Delivery Payments.

C. Option Locomotives

The price of Option Locomotives shall be as agreed by the parties but shall not include the amount paid for Base Locomotives in order to assure delivery by December 31, 1987.

The schedule for Option Locomotive payments shall be consistent with Owner Equipment Delivery Payments.

D. Extended Warranty

Contractor agrees, if SEPTA so elects, to make available at a price to be negotiated, an extended warranty on the Option Cars, the Option Locomotives or both, an extended warranty on the same terms and conditions applicable to the base equipment.

E. Owner Equipment Delivery Payments

There will be Owner equipment delivery payments ("delivery payments") as follows:

<u>Rolling Stock</u>	<u>Amount</u>
<u>Date</u>	
May 20, 1987	\$15,000,000
July 1, 1987	13,558,250
Upon delivery of each unit	50% of unit price:
	per Trailer Car 410,850
	per Cab Car 478,400
	per Locomotive 1,929,000

Spare Parts

July 1, 1987	2,855,825
October 1, 1987	2,855,825

Notwithstanding the provisions of the foregoing paragraph, Owner may withhold from amounts otherwise payable an amount equal to the value of any "open items" (i.e., uncorrected defects) in conditionally accepted cars and locomotives as

reasonably determined by Owner. Any amounts so retained by Owner shall be paid to Contractor upon its satisfactory correction of such open items; provided, however, that Contractor shall not submit invoices for such amounts any more frequently than twice a month.

F. Payment Procedure

The Contractor shall submit an invoice to Owner in advance of the date each delivery payment is due and payable. Owner shall pay each delivery payment on the date specified in Article 1.7.4.E.

The Contractor also shall submit to Owner an invoice for work performed under any Change Order. Each such invoice shall be payable within fifteen (15) days after receipt.

1.7.5. CONTRACTOR'S GUARANTY, (WARRANTY).

Cars and Spare Parts for Cars

The Contractor shall guarantee each entire car and each spare part for cars against any defects or any failures caused by faulty or inadequate design, faulty workmanship or faulty material for a period of two (2) years, and, in addition, shall guarantee all parts of the car built, manufactured or assembled by Contractor (car body structure), for a period of fifteen (15) years. Car trucks except brake shoes shall have a warranty period of five (5) years. Any part or parts thereof that prove inadequate, insufficient or defective either in design, material or workmanship during the period of guarantee shall be replaced by the Contractor without expense to Owner. If, as a result of breach of this warranty by Contractor, use of Owner labor is required for any reason, the Contractor shall reimburse Owner for costs of labor, fringe benefits and overhead at Owner's then applicable rates. Except as provided below with respect to open items the guarantee periods for each car shall start from the date of conditional acceptance of such car and the guarantee periods for car spare parts shall start from the earliest of the date of conditional acceptance of the 35th car or the date of installation of the spare part in the car.

The guarantee period on consumable items, i.e., a part or component which in the Owner's reasonable opinion has an ordinary useful life of less than two (2) years, shall be its ordinary useful life as determined by the Owner.

Where 25% of the total of any car part fails within its warranty period, 100% of the part concerned (not just the failed

items) shall be deemed to require redesign, repair, replacement or adjustment under this warranty, including those that have passed the warranty period before the 25% failure rate was recognized. If any such redesign, repairs, replacements or adjustments are required, the warranty period as to the affected part shall be extended by one (1) year from completion thereof or the expiration of the previously effective warranty period, whichever is later.

When a car has been conditionally accepted by Owner pursuant to Article 1.4.8, the guarantee period as to any part or subsystem relating to an open item on such car shall not commence until satisfactory remedy of such open item. The guarantee period as to all other portions of the car shall not be affected thereby.

THE FOREGOING WARRANTIES AND GUARANTEES WITH RESPECT TO CARS AND SPARE PARTS FOR CARS AND THE OBLIGATIONS AND LIABILITIES OF THE CONTRACTOR RELATING THERETO ARE EXPRESSLY IN LIEU OF ANY OTHER WARRANTY, EXPRESSED OR IMPLIED (INCLUDING ANY IMPLIED WARRANTY OF MERCHANTABILITY BUT EXCLUDING ANY IMPLIED WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE) AND OF ANY OBLIGATION OR LIABILITY ON THE PART OF THE CONTRACTOR, INCLUDING LIABILITY FOR INCIDENTAL AND CONSEQUENTIAL DAMAGES.

Locomotives and Spare Parts for Locomotives

The following warranty policy will apply with respect to locomotives and spare parts for locomotives (herein "equipment"):

Contractor warrants to Owner that the equipment is as described in the Specification referred to herein and is suitable for the ordinary purposes for which such equipment is used.

Contractor further warrants the equipment to be free from defects in materials and workmanship which may develop under normal use and service within two (2) years from date of conditional acceptance with respect to locomotives or date of installation with respect to spare parts or before the equipment has operated 250,000 miles, whichever event shall first occur. Contractor agrees to correct such defects, which examination shall disclose to Contractor's satisfaction to be defective by repair or replacement F.O.B. factory and such correction shall constitute fulfillment of Contractor's obligation with respect to such defect under this warranty.

Contractor warrants specialties not of its own specification or design to the same extent that the subcontractor

or suppliers of such specialties warrant such items to the Contractor.

THIS WARRANTY WITH RESPECT TO LOCOMOTIVES AND SPARE PARTS FOR LOCOMOTIVES IS EXPRESSLY IN LIEU OF ANY OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE AND OF ANY OBLIGATION OR LIABILITY ON THE PART OF THE CONTRACTOR INCLUDING LIABILITY FOR INCIDENTAL AND CONSEQUENTIAL DAMAGES.

Section 8

MISCELLANEOUS

1.8.1. GOVERNING LAW.

This Contract shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.

1.8.2. LIMITATION ON LIABILITY.

Notwithstanding any other provisions of this Contract to the contrary, the Contractor's aggregate liability hereunder shall not exceed the total amount payable to Contractor hereunder.

1.8.3. OFFICIALS NOT TO BENEFIT.

Interest of Members of Congress - No member of or delegate to the Congress of the United States shall be admitted to any share or part of this Contract or to any benefit sharing arising therefrom.

Interest of Public Officials - No member, officer, or employee of any public agency or instrumentality during his or her tenure or for one year thereafter shall have any interest, direct or indirect, in this Contract or the proceeds thereof.

1.8.4. CHANGE ORDERS.

Notwithstanding any other provisions of this Contract to the contrary, Change Orders will be accepted by the Contractor only if they are minor in nature, they are mutually agreed between the parties and have no impact upon established car and locomotive production and delivery schedules.

1.8.5. OWNER TRANSFER TO SEPTA.

Owner may, in connection with any financing which it arranges with respect to the Equipment, including but not limited to any financing involving an operating lease, transfer legal title to the Equipment; provided, however, as a condition to such transfer, the transferee, simultaneously with such transfer shall pay to Bombardier the delivery payments with respect to the Equipment then required to be made.

IN WITNESS WHEREOF, the parties hereto have executed this Contract as of the date set forth above.

Attest:

SOUTHEASTERN PENNSYLVANIA
TRANSPORTATION AUTHORITY

By: _____

James Archibald

TREASURER

APPROVED AS TO FORM:

BY: _____, ESQ

GENERAL COUNSEL'S OFFICE

Robert Thompson

VICE CHAIRMAN

SECRETARY

(Corporate Seal)

BOMBARDIER INC.

Attest:

By: _____

Jean-Yves Leblanc, President
Mass Transit Division

Thomas C. Owen

Thomas C. Owen, Vice President,
Marketing and Sales (U.S.)

Gilles Bacon

Gilles Bacon, Vice President,
Finance and Administration



Southeastern Pennsylvania Transportation Authority

PURCHASE ORDER

200 W. Wyoming Avenue

Philadelphia, PA 19140

DATE

5/29/87

THIS NUMBER MUST APPEAR
INVOICES, FREIGHT INVOICES,
BILLS OF LADING & CORRESPONDENCE

330473

T
O

Mr. Thomas C. Owen
Bombardier Corporation ✓
Mass Transit Division
477 Madison Ave., 12th Floor
New York, NY 10022

S
H
I
P
T
O

SEPTA
Not Applicable
See Body of Purchase Order

INVOICE IN S.E.P.T.A. - Accounts Payable
DUPLICATE TO: P.O. Box 53959
Philadelphia, PA 19107

PAYMENT TERMS

F.O.B.

FREIGHT TERMS

SHIP VIA

See Agreement

N/A

N/A

N/A

Line No.	Quantity	Unit of Measure	Item Description	Unit Price	Extended Price
----------	----------	-----------------	------------------	------------	----------------

1	1	lot	To supply 35 Push-Pull Cars and 7 AEM-7 Electric Locomotives, in accordance with the attached contract dated May 27, 1987.	N/A	\$62,828,150.00
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TOTAL AMOUNT NOT TO EXCEED..... \$62,828,150.00

Project Manager: J. Cira

Ben Center
1515 Market St
6th fl.

UNAUTHORIZED OVERSHIPMENTS WILL BE RETURNED AT VENDOR'S EXPENSE

VENDOR MUST RETURN ACKNOWLEDGEMENT COPY PROPERLY EXECUTED WITHIN TEN (10) DAYS

Tony Angelone

BUYER:

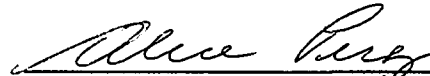
PURCHASING ALPHA-NUMERIC

AUTHORIZED BY:

STATE OF NEW YORK :
COUNTY OF NEW YORK : SS:

On this 24th day of November, 1987, before me personally appeared Lewis F. Gould and James A. Archibald, to me personally known, who, being by me duly sworn, say that they are the Chairman and Treasurer, respectively, of Southeastern Pennsylvania Transportation Authority, that one of the seals affixed to the foregoing instrument is the seal of said body corporate and politic, that said instrument was signed and sealed on behalf of said body corporate and politic by authority of its Board, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said body corporate and politic.

[Notarial Seal]



Notary Public

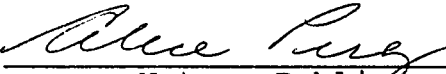
My Commission expires:

ALICE PEREZ
Notary Public, State of New York
No. 41-4600330
Qualified in Queens County
Certificate Filed in New York County
Commission Expires Jan. 31, 1989

STATE OF NEW YORK :
COUNTY OF NEW YORK : ss:

On this 24th day of November, 1987, before me personally appeared William B. Sowden III, to me personally known, who, being by me duly sworn, says that he is a Vice President of Wilmington Trust Company, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

[Notarial Seal]



Notary Public

My Commission expires:

ALICE PEREZ
Notary Public, State of New York
No. 41-4600330
Qualified in Queens County
Certificate Filed in New York County
Commission Expires Jan. 31, 1989